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MULTILATERAL INVESTMENT FUND

**EL SALVADOR**

**DEVELOPMENT OF ENTREPRENEURSHIP IN SOYAPANGO**

**(TC-03-04-02-7)**

**DONORS MEMORANDUM**

This document was prepared by the project team consisting of: Guillermo Villacorta (COF/CES); Claudia Suaznabar (SDS/MSM), María Teresa Villanueva (SDS/MSM), Bibiana Vásquez (FOMIN), María Cristina Landázuri (LEG/OPR) and Pablo Angelelli, (SDS/MSM) Project Team Leader.

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## ANNEXES

Annex I	Logical framework and summary of monitoring indicators
Annex II	Other MIF programs related to entrepreneurship in El Salvador

### INFORMATION AVAILABLE IN THE TECHNICAL FILES

1. Empresarialidad en El Salvador [Entrepreneurship in El Salvador]. Carlos Umaña, July 2003, SDS/MSM.
2. Lineamientos para la promoción de la Empresarialidad [Guidelines for the promotion of entrepreneurship]. MIF and SDS/MSM, April 2003.
3. Empresarialidad en Economías Emergentes: Creación y desarrollo de nuevas empresas en América Latina y el Este de Asia [Entrepreneurship in emerging economies: New business startup and development in Latin America and East Asia]. Hugo Kantis et al. March 2002, Inter-American Development Bank.
4. El BID y la promoción de la Empresarialidad: Lecciones aprendidas y recomendaciones para nuevos programas, Informe de Trabajo [The IDB and the promotion of entrepreneurship: Lessons learned and recommendations for new programs,” Work report of the Micro, Small and Medium Enterprise Division, Inter-American Development Bank, March 2003, Washington, D.C.
5. Operating regulations and terms of reference.
6. Itemized budget.
7. Tentative timetable .
8. Information on other entrepreneurship programs affecting Soyapango.

## ACRONYMS

ACOMESoy	Asociación de Comerciantes de los Mercados de Soyapango [Association of Merchants of the Soyapango Markets]
AMPES	Asociación de Medianos y Pequeños Empresarios Salvadoreños [Association of Small and Medium-sized Salvadoran Entrepreneurs]
ASI	Asociación Salvadoreña de Industriales [Salvadoran Industrialists Association]
FONDESOY	Fondo de Contrapartidas para el Desarrollo Local de Soyapango [Counterpart Fund for Local Development of Soyapango]
FUNDAPYME	Fundación para el Desarrollo Sostenible de la Pequeña y Mediana Empresa
MIF	Multilateral Investment Fund
INSAFORP	Instituto Salvadoreño de Formación Profesional [Salvadoran Institute of Vocational Training]
GDP	Gross domestic product
SME	Small and medium enterprise
SDS/MSM	Micro, Small, and Medium Enterprise Division, Sustainable Development Department
UEP	Program Executing Unit

## DEVELOPMENT OF ENTREPRENEURSHIP IN SOYAPANGO

(TC-03-04-02-7)

### EXECUTIVE SUMMARY

<b>Requester and executing agency:</b>	Fundación para el Desarrollo Sostenible de la Pequeña y Mediana Empresa [Foundation for the Sustainable Development of Small and Medium-sized Enterprises] (FUNDAPYME)	
<b>Beneficiaries:</b>	The program's direct beneficiaries will be 800 young men and women of the municipality of Soyapango who have completed either academic or technical secondary schooling and at least some study at the university level. The program will also benefit teachers, employees of nongovernmental organizations and municipal personnel.	
<b>Amount and source:</b>	MIF (Facility II):	US\$ 790,000
	Local contribution:	<u>US\$ 332,000</u>
	Total:	US\$1,122,000
<b>Execution timetable:</b>	Execution period:	48 months
	Disbursement period:	54 months
<b>Objectives:</b>	The general objective of this program is to promote the creation and development of new businesses with growth potential in the municipality of Soyapango. The program's specific objective is to put in place a system to support the conception, startup and growth of new businesses in Soyapango, which can later be transferred to other municipalities.	
<b>Description:</b>	The program is structured in three components. The first will increase the motivation and improve the skills of youth in Soyapango, with a view to the creation of new enterprises. It will also improve the skills of businesspeople and personnel of local financial institutions, so that they can provide support and services (mentoring and credit) to meet the needs of new entrepreneurs.	
	The second component provides for competitions to select young people in the municipality who have the potential to create new businesses with high growth potential, and will support them in the startup process. Assistance will include support at the conceptual	

stage and in creating a business plan, as well as follow-up during implementation.

The third component provides for the design and implementation of a strategy to communicate and disseminate entrepreneurship in El Salvador. Know-how and lessons learned will be transferred to two other municipalities, and a baseline will be established against which to measure the results of the program.

**Expected  
outcomes:**

The program will increase awareness among 1,500 young people, of whom 800 are expected to participate in entrepreneurial training courses, with at least 500 having the opportunity to undertake internships in San Salvador metropolitan area businesses. At least 200 firms are expected to have an interest in participating in the internship program. In addition, 20 teachers will be trained in the content and methodologies developed for the purpose of training the 800 young people; 25 entrepreneurs will be trained to mentor the young entrepreneurs; and 20 credit analysts working in financial institutions with an inclination for working with young entrepreneurs will be trained. By the end of the program, technical assistance is expected to have been provided for implementation of 200 business plans of young Soyapango entrepreneurs, with at least 60 of these having been funded by matching grants of up to US\$3,000, and with at least 40 new enterprises created.

Through the communication and dissemination strategy, the target population is expected to be familiar with, and to have participated in, the program. Moreover, a website with comprehensive information on the program will be in operation, there will be increased dissemination of issues related to entrepreneurship in the local media, the attitudes of the local society toward new entrepreneurs will have improved, and new initiatives to promote entrepreneurship will be emerging at the local level.

**Environmental  
and social  
review:**

The Committee on Environment and Social Impact (CESI) reviewed the proposed operation at its 29 August 2003 meeting. Its recommendations have been incorporated in this document.

**Special  
contractual  
clauses:**

As conditions precedent to the first disbursement, the following shall be presented, to the Bank's satisfaction: (i) the annual operating plan for the program's first year; (ii) proof that a Program Coordinator has been selected pursuant to Bank procedures; (iii) formation of the Consultative Committee; and (iv) approval of the Operating Regulations by FUNDAPYME. The first disbursement of funds for Component I will be contingent upon presentation, to the Bank's satisfaction, of a signed cooperation agreement between FUNDAPYME and Don Bosco University.

**Exceptions to  
Bank policy:**

None.



## I. COUNTRY AND PROGRAM ELIGIBILITY

- 1.1 On 3 December 1993 the Donors Committee declared El Salvador eligible for all forms of financing through the Multilateral Investment Fund (MIF). The program meets MIF eligibility criteria under Facility II, inasmuch as it encourages the creation of new businesses by applying business education and training models to make it possible for young or new entrepreneurs to become an established part of the local economy.

## II. BACKGROUND

### A. The context for developing entrepreneurship in Soyapango

- 2.1 **Salvador's macroeconomic conditions are favorable to entrepreneurship.** Over the last 10 years, the country's economy has undergone a series of structural reforms that substantially improved conditions for the development of new businesses. There was a strong economic recovery following the 1991 peace accords, and per capita GDP regained its pre-conflict, 1979 level (9,319 1990 colons). Three percent growth is expected for this year, surpassing the 1.8% and 2.3% figures recorded in 2001 and 2002, respectively. The economic growth of the 1990s was built on a rapid process of industrial recovery and a change of productive structure, with progressive abandonment of agriculture. Investment conditions also improved, as interest rates fell due to the Monetary Integration Law.<sup>1</sup> Today, El Salvador's dollar interest rates are among the lowest in Central America and in a substantial portion of Latin America. Given these general conditions, the program will put incentives in place to encourage the creation of new businesses in Soyapango, which is one of the municipalities making up the metropolitan area of San Salvador.<sup>2</sup>
- 2.2 **Soyapango has very few new, growing businesses.** Its industrial base is polarized. There are 40 large companies—the largest in the country—and 20,000 subsistence microenterprises, primarily in the commercial sector. Between these two extremes, there are practically no strong small or medium-sized enterprises—i.e., businesses capable of adding value and creating jobs. Only 1% (260) of Soyapango's businesses meet these criteria, and 13% of these are less than three years old. These figures suggest that Soyapango has a problem insofar as the creation of thriving new businesses is concerned.

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<sup>1</sup> This law, which entered into force in January 2001, authorizes the use of the U.S. dollar as legal tender.

<sup>2</sup> The metropolitan area of San Salvador, or Greater San Salvador, comprises 11 municipalities in the department of San Salvador, and 2 in the department of La Libertad. According to El Salvador's General Directorate of Statistics and Censuses, approximately 2 million people reside in these municipalities.

- 2.3 **Factors responsible for the failure to create thriving businesses.** International experience shows that businesses created in a given geographic area tend to be in the same sector, and of the same size, as preexisting firms. Thus, in the absence of institutional changes or other changes in the environment, the structure of Soyapango's business sector could be expected to consist primarily of microenterprises with little potential for driving development in Soyapango. A number of factors must be addressed in order to change this and to encourage the creation of dynamic businesses. First, the population—especially young people—possesses neither the motivation nor the skills for entrepreneurship. Second, the existing support networks for entrepreneurs are weak and unconnected with each other. Finally, the costs involved in registering, operating and closing a business are very high.
- 2.4 **Lack of motivation.** Soyapango's business and institutional environment does not provide the models and ideas needed to motivate young people to establish dynamic businesses. People who decide to embark on entrepreneurial careers simply replicate the dominant subsistence model. A recent study of entrepreneurs in El Salvador<sup>3</sup> clearly shows a lack of successful examples to follow. Only 3 out of 10 entrepreneurs stated that one of their motivations in starting a business was the desire to imitate a successful local businessperson, and no more than 4 out of 10 believed that they could gain social status as an entrepreneur. In more entrepreneurial societies, such as the United States and Taiwan, the presence of recognized entrepreneurs, who serve as role models, is an important motivating factor for the development of new entrepreneurs.
- 2.5 **Lack of knowledge regarding how businesses function.** The experience of working in a business is an important mechanism for the transmission of the knowledge, ability, and skills needed to create a business, but such experience is scarce in Soyapango. This is because very few young people obtain jobs at companies in the San Salvador metropolitan area. Moreover, the local educational system,<sup>4</sup> which is the natural environment for young people to acquire the basic knowledge and abilities needed for a career in business, has serious weaknesses in terms of effective teaching methods, business courses, teachers trained in business, and mechanisms to provide students with job experience.
- 2.6 **Support networks for entrepreneurs are weak and unconnected with each other.** For those few Salvadoran entrepreneurs who come up with an idea for a viable business, the problem is how to transform the concept into a real and dynamic project. One recent study<sup>5</sup> indicates that it takes Salvadorans six years to

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<sup>3</sup> See "Empresarialidad en el Salvador" [Entrepreneurship in El Salvador], Carlos Umaña, SDS/MSM, April 2003.

<sup>4</sup> Soyapango has over 30 primary schools, 11 secondary schools and one university. Despite this ample number of educational establishments, the overall illiteracy rate is over 20%.

<sup>5</sup> See footnote 3.

move from thinking about going into business to actually doing so, whereas the time taken for this transition in other countries in the region is two to three years less. This difficulty is associated with the fragility of institutions and support networks. While there are many institutions that support and represent the private sector in Soyapango,<sup>6</sup> providing services for people who want to start businesses is not among their priorities, nor have they succeeded in developing networks for cooperation between established businesspeople and those just beginning their business career. Such networks are crucial, if businesspeople just starting out are to have access to information on business opportunities, technology and other valuable resources for starting a business.<sup>7</sup> The lack of services for new entrepreneurs is also evident in the area of financial services. Only two local financial institutions are beginning to develop strategies to finance new businesses.

- 2.7 **The procedures involved in registering and operating a business constitute barriers to the entry of new businesses.** According to the Fundación para el Desarrollo Sostenible de la Pequeña y Mediana Empresa (FUNDAPYME) [Foundation for the Sustainable Development of Small and Medium-sized Enterprises], the procedures required are costly financially as well as in terms of time, both for people wishing to start businesses and for businesses already in operation. The procedures that produce the greatest problems in Soyapango are: registering real estate that businesses use to operate; registering businesses; transferring ownership of real estate; transferring ownership of businesses; closing commercial accounts; changing business classifications (changes in commercial activity, business name, etc.); obtaining licenses and registration; installation of fences and signs; application for, and issuing of, municipal declarations of solvency for businesses; and recovering arrears of businesses.
- 2.8 **Why Soyapango?** There are a number of reasons for the selection of Soyapango for this program. First, there is a minimum base of medium and large enterprises capable of supporting the development of entrepreneurship through various mechanisms. These firms can be a source of opportunity for new businesses, either through outsourcing or the development of new providers. Thus, young people employed in large and medium-sized enterprises may have acquired basic skills that

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<sup>6</sup> Business associations in Soyapango are: the Asociación Salvadoreña de Industriales (ASI) [Salvadoran Industrialists Association], to which the 42 large industrial establishments in the municipality belong; the Asociación de Medianos y Pequeños Empresarios Salvadoreños (AMPES) [Association of Small and Medium-sized Salvadoran Entrepreneurs] and the Asociación de Comerciantes de los Mercados de Soyapango (ACOMESoy) [Association of Merchants of the Soyapango Markets], which comprises primarily microentrepreneurs engaged in informal urban commerce. The efforts of these institutions focus on providing credit to their members, as well as training and advisory services for established businesses, and promoting representativeness and the implementation of special projects among their members.

<sup>7</sup> The Umaña study (2003) shows that only a small group of Salvadoran entrepreneurs, principally members of upper-middle-class families who are in business, have contacts sufficient in number and effectiveness to start and grow their businesses.

pave the way for them to participate in the program and become new entrepreneurs. Second, Soyapango's entrepreneurs and institutions have committed themselves to working with the program's executing agency to mobilize local resources and promote methodologies and "good practices" for creating and serving new businesses. Third, the large number of young people in Soyapango guarantees a demand for the program's services.<sup>8</sup> A Bank study<sup>9</sup> shows that these three characteristics of Soyapango are necessary conditions to minimize the risk of failure of entrepreneurship programs.

## **B. MIF and Bank strategy**

- 2.9 The program is consistent with the Bank's country strategy with El Salvador (see Country Document GN-2121-3, approved in 2001), since it contributes, through the creation of new businesses, to revitalizing the economic growth and competitiveness of a local area of the country. The program's design takes into account MIF and SDS/MSM recommendations<sup>10</sup> regarding programs to support the creation of businesses, which emphasize: (i) that there must be public and private institutions associated with business development that have a commitment to the targeted area; and (ii) that support for the process of creating businesses must be comprehensive, including actions to increase motivation, develop and implement business plans, and support the initial growth of new businesses.
- 2.10 The program will complement other initiatives to support entrepreneurship in El Salvador (see Annex II and information in the technical files), including: (i) the Support for microenterprises and small business development program (ATN/MT-6952-ES), which seeks to implement an institutional and policy framework that encourages the formalization and operation of micro and small enterprises; (ii) the SME entrepreneurship program (ATN/MH-6720-RG), which includes transferring EMPRETEC methodology to El Salvador; (iii) the *Emprende Tu Idea* [Launch your Idea] (ETI) business plan competitions, which began in 2002 and include consulting services, training, and networking events for entrepreneurs who put their business ideas into practice; (iv) the *País Joven* program overseen by the Department of the Family, which with Bank support (ATN/SF-7190-ES) seeks to integrate young people into the labor market through training in management and entrepreneurial techniques; and (v) the national *Empresa Centro* [Business Center] internship programs of the Instituto Salvadoreño de Formación Profesional

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<sup>8</sup> The population of Soyapango is approximately 290,000, with a notable proportion of young people, the target group of this program. Sixty-six percent of the population is under 34 years of age, while 36% are between 15 and 34 years of age (comprising some 102,000 individuals).

<sup>9</sup> See *Empresarialidad en Economías Emergentes: Creación y desarrollo de nuevas empresas en América Latina y el Este de Asia* [Entrepreneurship in emerging economies: New business startup and development in Latin America and East Asia], Inter-American Development Bank, March 2002.

<sup>10</sup> See *Lineamientos para la promoción de la Empresarialidad* [Guidelines for the promotion of entrepreneurship]. By MIF and SDS/MSM, April 2003.

(INSAFORP) [Salvadoran Institute of Vocational Training], and FONDESOY's Bolsa de Trabajo para Jóvenes job exchange program, which targets Soyapango's young people on vacation and encourages them to enter the labor market.

- 2.11 Unlike the above-mentioned initiatives, this pilot program will be local in scope and take a comprehensive approach, supporting Soyapango's young people in every stage of the business startup process: developing the motivation and skills to undertake a new business, put it in operation, and carry it through the first few months. The program will apply the lessons learned from the ETI competitions, though its approach will be local rather than national, and its target population is low-income rather than medium- and high-income. The Department of the Family program, which has a small budget, is also in the final stages of implementation. Finally, the internship program of Component I will coordinate with the INSAFORP and FONDESOY internship programs.

### **III. PROGRAM OBJECTIVES AND DESCRIPTION**

#### **A. Program objectives**

- 3.1 The general objective of this program is to promote the creation and development of new businesses with growth potential in the municipality of Soyapango. The program's specific objective is to put in place a system to support the conception, startup and growth of new businesses in Soyapango, which can later be transferred to other municipalities.
- 3.2 The profile of the business that the program is designed to support is: a growth-oriented business operating in any sector or type of economic activity, meaning that it operates with a view to capital formation, generating revenue beyond the owner's subsistence level, so as to be able to invest in the growth of the business. Other features of these businesses are that they create jobs beyond the family, are more sustainable in the marketplace, and have greater access to financial and business development resources.

#### **B. Components and activities**

- 3.3 To meet the proposed objectives, the program includes three components, which have been designed taking into account the weaknesses and strengths associated with entrepreneurial development in Soyapango. (The Operating Regulations set forth the details of these components.) The gender focus will be incorporated throughout the program, rather than being dealt with as an additional component.

**1. Component I: Promoting entrepreneurial ability and skills (MIF: US\$187,500; Counterpart: US\$101,200)**

- 3.4 This component will serve to: (i) increase the motivation and improve the skills of young people in Soyapango, with a view to the creation of new enterprises; and (ii) improve the skills of businesspeople and personnel of local financial institutions, so that they will be able to provide support and services (mentoring and credit) to meet the needs of new entrepreneurs.
- 3.5 The following activities will be carried out to achieve these objectives: (i) a training program for young people, both university students and others, will be implemented. It will include developing and producing teaching materials, providing teacher training, holding workshops to increase awareness, and giving courses; (ii) a program of internships in businesses will be developed and implemented to help familiarize young people with business operations. This is expected to stimulate the participants' motivation, skills, and ideas regarding opportunities for starting their own businesses; and (iii) individuals will be trained in facilitating entrepreneurship. This will include business mentors, as well as employees of financial institutions.
- 3.6 This component will increase awareness among 1,500 young people, of whom 800 are expected to participate in entrepreneurial training courses, with at least 500 having the opportunity to undertake internships in San Salvador metropolitan area businesses. At least 200 firms are expected to have an interest in participating in the internship program.<sup>11</sup> In addition, 20 teachers will be trained in the contents and methodologies developed for the purpose of training the 800 young people; 25 entrepreneurs will be trained to mentor the young entrepreneurs; and 20 credit analysts working in financial institutions with an inclination for working with young entrepreneurs will be trained.

**2. Component II: Selection of entrepreneurs and support in gaining them access to the market (MIF: US\$440,500; Counterpart: US\$114,800)**

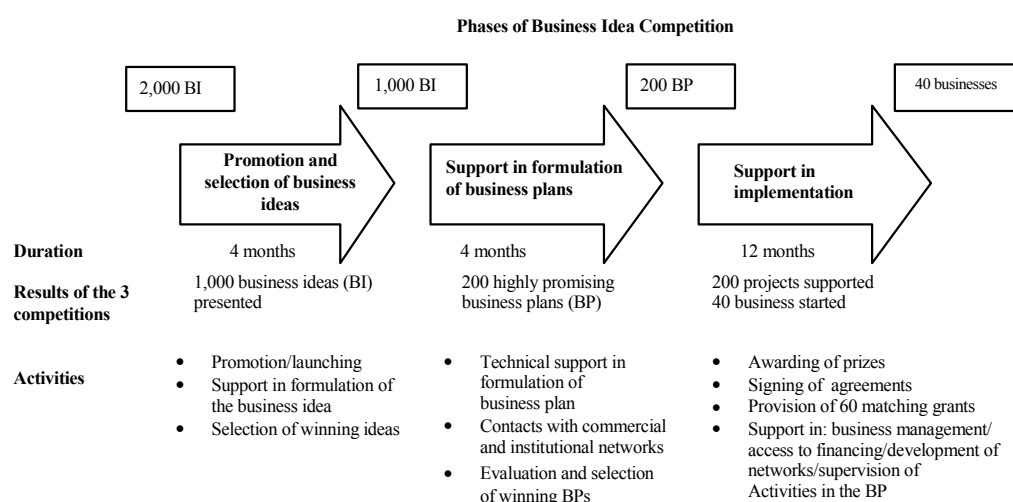
- 3.7 This component will use competitions to select young people in the municipality who have the potential to create new businesses with high growth potential, and will support them in the startup process. Assistance will include support at the conceptual stage and in creating a business plan, as well as follow-up during the implementation phase.
- 3.8 The activities of this component are as follows: (i) three business idea competitions will be held to select young entrepreneurs; (ii) to promote business and

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<sup>11</sup> According to interviews with ASI management, it is plausible that 200 firms will participate in the internship program. The experience of the Empresa Centro program (see Annex V) suggests that cofunding the cost of internships for the host companies is an effective incentive for their participation in initiatives of this type.

subcontracting agreements between young entrepreneurs and established businesses, two approaches will be taken. Members of the principal business groups in San Salvador will be surveyed to identify needs and possible areas for new business. At the same time, two Business Networking Meetings will be held in Soyapango<sup>12</sup> to facilitate contact between businesspeople and young entrepreneurs; and (iii) the Soyapango municipal government will be supported in an effort to simplify and enhance procedures for registering and closing businesses.

- 3.9 Each business idea competition will include three stages: (i) promotion and selection of business ideas; (ii) formulating and selecting business plans; and (iii) providing support for the implementation of winning business plans (see Figure 1). To participate in the competition, at least one member of the team presenting the idea or business plan must have taken, or be enrolled in, the training courses funded by the program (see component I). The business plans selected by the competitive process will receive up to 12 months of free technical assistance in business management, gaining access to financing, and developing networks. Supervision to ensure that the activities set forth in the business plan are carried out will also be provided. In addition, the program will provide matching grants of up to US\$3,000 for specialized technical assistance to assist in implementing the plan. The matching grants may not be used as working capital or as fixed capital. The operational details of the competitions and matching grants are covered in the Operating Regulations (available in the technical file).



<sup>12</sup> FUNDES has been holding the Business Networking Meetings since 2000. The event held by FUNDAPYME in El Salvador on 25-26 August 2003 led to 6,328 negotiations and brought together over 250 small and medium-sized enterprises, along with 31 large companies.

- 3.10 This component is expected to provide technical assistance for the implementation of the business plans of 200 young Soyapango entrepreneurs, with at least 60 of these having been funded by matching grants of up to US\$3,000, and with at least 40 new businesses created.

**3. Component III: Dissemination and transfer of the program (MIF: US\$36,500; Counterpart: US\$18,000)**

- 3.11 This component provides for: (i) the design and implementation of a strategy to communicate and disseminate entrepreneurship in El Salvador; (ii) know-how and lessons learned will be transferred to two other municipalities; and (iii) a baseline will be established against which to measure the results of the program.
- 3.12 The following activities will be carried out to achieve these objectives: (i) a communication and dissemination strategy will be implemented to promote the program among its beneficiaries, and to position the issue of entrepreneurship in the media. (ii) a document detailing lessons learned will be prepared and disseminated; (iii) a transfer of know-how to two other municipalities will be initiated. This will include visits to the municipalities in question to interview stakeholders and negotiate the funds to put the program in motion; and (iv) a study will be undertaken to establish a baseline for the program's indicators.
- 3.13 Through the communication and dissemination strategy, the target population is expected to be familiar with, and to have participated in, the program. Moreover, a website with comprehensive information on the program will be in operation, there will be increased dissemination of issues related to entrepreneurship in the local media, the attitudes of the local society toward new entrepreneurs will have improved, and new initiatives to promoted entrepreneurship will be emerging at the local level.

#### **IV. PROGRAM COSTS AND FUNDING**

**A. Costs and funding**

- 4.1 The estimated total cost of the program is US\$1,122,000 equivalent, broken down as follows: US\$790,000 from the MIF and US\$332,000 in local counterpart funding with at least one-half of this amount in cash, as shown in Table 1. (The itemized budget is available for consultation in the technical files.)



**Table 1**  
**General Budget**

	<b>MIF</b>	<b>Counterpart</b>	<b>Total</b>	<b>%</b>
Component I	187,500	101,200	288,700	26%
Component II	440,500	114,800	555,300	49%
Component III	36,500	18,000	54,500	5%
<i>Subtotal</i>	<i>664,500</i>	<i>234,000</i>	<i>898,500</i>	<i>80%</i>
General coordination	72,500	98,000	170,500	15%
Evaluation and auditing	33,000		33,000	3%
Contingencies	20,000		20,000	2%
<b>TOTAL</b>	<b>790,000</b>	<b>332,000</b>	<b>1,122,000</b>	<b>100%</b>
%	70%	30%	100%	

- 4.2 The MIF funds will be used predominantly to cover specialized consulting expenses in components I and II and program dissemination activities. Counterpart contributions will be used principally to cover program coordination and administration, as well as the cost of providing the training courses and the support and follow-up services to the entrepreneurs. FUNDAPYME will be responsible for the entirety of the counterpart funds, which may include a contribution from Don Bosco University for up to US\$80,000 for component I, as well as contributions from other businesspeople and institutions supporting the program.

#### **B. Sustainability of the program**

- 4.3 The program is designed to provide services beyond the period funded by the MIF. The strategies to be followed in the program's essential services are as follows. First, for the training of university students and other young people, Don Bosco University, under an agreement with FUNDAPYME, will commit to including these courses in its regular activities, once the program's execution period ends. Second, FUNDAPYME will use its own funds, as well as corporate social responsibility contributions from Soyapango enterprises, in order to continue the business ideas competitions and support and follow-up services for the municipality's young entrepreneurs. This commitment on the part of FUNDAPYME will be formalized in its agreement with the Bank. Third, a partnership with the Soyapango municipal government will be maintained, in order to ensure the continued simplicity and efficiency of business registration services over time.

### **C. Program readiness**

- 4.4 The program is in an advanced state of readiness, since: (i) all of the activities involved have been discussed and agreed upon with the executing agency in a four degree of detail (see Logical Framework in Annex I); (ii) public and private entities, as well as young people who are to participate in the program, were involved in designing it; and (iii) the executing agency has progressed significantly in developing agreements to work with other stakeholders who will be participating in implementing the program. These include Don Bosco University, the municipality of Soyapango, ASI and AMPES.

## **V. PROGRAM EXECUTION**

### **A. Executing agency**

- 5.1 The program will be executed by FUNDAPYME, which began operations in 2001, as a result of a partnership between Asociación Nacional de la Empresa Privada (ANEP) [National Association of Private Enterprise] and Fundes Internacional.<sup>13</sup> This is a private nonprofit institution specializing in management and training for small and medium-sized enterprises in El Salvador. Its mission is to promote the creation and sustainable development of small and medium-sized enterprises in El Salvador. It has a specialized human resources team of 25, of whom 18 organize and provide consulting and training services for SMEs, 4 market the institution and its services, and the remaining two carry out research on SMEs and the business environment in El Salvador. With an annual budget of US\$1.2 million, FUNDAPYME is a sustainable organization that does not depend on donors to carry out its activities.
- 5.2 FUNDAPYME has the capacity to implement this program, manage its funds properly and transparently, and project its outcomes beyond the duration of the program itself. As a member of the Fundes network, it has access to a supply of high-quality, internationally proven and validated business development products and services for Salvadoran SMEs. In addition, FUNDAPYME will have support for execution of the project from: (i) Don Bosco University,<sup>14</sup> which has experience in designing and implementing training programs; (ii) the Asociación de Medianos

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<sup>13</sup> ANEP is a nonprofit institution comprising 36 business associations and chambers of commerce. It was founded in 1968 to promote economic, social and cultural development, as well as to develop and protect the free enterprise system in El Salvador. FUNDES Internacional is an international network active in 10 Latin American countries. Since 1984, it has promoted business development and the creation and growth of new businesses.

<sup>14</sup> Don Bosco University, founded in 1984, is an institution of higher education concentrating on education, humanities and vocational/technical education. Specializing in the overall development of young people, it is located in the municipality of Soyapango, and clearly considers it important to contribute to the human and social development of Soyapango's residents on the basis of a new educational model.

y Pequeños Empresarios Salvadoreños (AMPES) [Association of Small and Medium-sized Salvadoran Entrepreneurs], and the Asociación Salvadoreña de Industriales (ASI) [Salvadoran Industrialists Association],<sup>15</sup> which will facilitate the participation of businesses in the internship program, as well as in surveys to identify business opportunities; and (iii) the municipality of Soyapango, which is responsible for coordinating youth-oriented activities with other support activities carried out by the municipality. At the same time, it is capable of helping to simplify procedures involved in registering, operating and closing businesses. FUNDAPYME will act as the integrating agent. It has the capacity to provide the needed counterpart funds, and will increase its ability to support the creation of businesses. In order to carry out the planned activities, FUNDAPYME is to develop detailed cooperation agreements with the other entities .

## **B. Execution mechanism**

- 5.3 The execution of the program is structured into two levels: (i) a Consultative Committee, still to be formed, that is to function as the top coordinating entity; and (ii) a Program Executing Unit (UEP), to be headed by the Program Coordinator, and reporting directly to FUNDAPYME's Executive Director. The functions and responsibilities of the various entities and individuals are detailed in the Operating Regulations.
- 5.4 The Consultative Committee will have 7 members: a representative of FUNDAPYME, a representative of Don Bosco University, a representative of the municipality of Soyapango, an AMPES representative, an ASI representative, an ANEP representative and a representative of the Comisión Nacional de la Micro y Pequeña Empresa [National Micro and Small Enterprise Commission] (CONAMYPE). The Program Coordinator will act as Secretary of the Consultative Committee.
- 5.5 The responsibilities of the Consultative Committee will include: (i) facilitating the coordination of the various participating entities and their relationship with the entrepreneurs; (ii) providing input for the program's goals and strategy; (iii) reviewing the annual operating plan; (iv) supervising implementation of the program, analyzing it, and proposing improvements to ensure satisfactory progress; and (v) reviewing the reports to be submitted periodically to the IDB/MIF. The formation of the Consultative Committee will be a condition precedent to the first disbursement.

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<sup>15</sup> AMPES is a nonprofit trade organization composed primarily of microentrepreneurs (60%), small business owners (30%) and owners of medium-sized businesses (10%) engaged in: commerce (49%); industry (43%); and services (8%). ASI is a professional organization that participates in El Salvador's sustainable development by working to strengthen the industrial sector, developing and protecting the nation's industrial production.

- 5.6 The UEP, including a Program Coordinator (PC) and an accounting administrative assistant, will be responsible, among other things, for: (i) preparing and executing the annual work plans; (ii) preparing a results-based compensation plan for the members of the UEP; (iii) coordinating program activities; (iv) contracting for and overseeing goods and services; (v) submitting disbursement requests to the Bank; (vi) submitting account statements and management reports to the program's Consultative Committee, to be forwarded to the Bank; and (vii) monitoring the performance indicators established in the Logical Framework. Specific functions are detailed in the Operating Regulations and in the draft terms of reference. The selection of the Program Coordinator will be a condition precedent to the first disbursement.

**C. Execution and disbursement period**

- 5.7 The program is to be executed over a 48-month period, with disbursement of the contributions to take place over 54 months. Based on the estimated execution requirements for the program, a revolving fund of up to 10% of the MIF contribution will be created. The MIF contribution will be handled through a separate account, so that funds can be made available in a timely manner for the various planned activities.

**D. Accounting and auditing**

- 5.8 FUNDAPYME will be responsible for: (a) establishing and maintaining an effective system of internal financial/accounting controls, organized in such a way as to provide the documentation needed to verify transactions and facilitate the timely preparation of financial statements and program reports. The program's records are to: (i) make it possible to identify the amounts received from different sources; (ii) record program spending, both of contribution funds and of other funds needed for the program's execution, in accordance with an accounting system that includes a Financial Administration and Internal Controls Manual approved by the Bank; (iii) provide breakdowns needed to identify goods and services procured, as well as the manner in which such goods and services are used; and (iv) show the cost of each component's activities and the time dedicated by each UEP consultant to the program's activities; (b) opening special, separate bank accounts to be used exclusively for administering the MIF contribution and the local counterpart funds; (c) processing disbursement requests and corresponding spending justifications, pursuant to normal Bank procedures; and (d) preparing and submitting to the Bank the program's financial statements at the conclusion of the program. These are to be audited by an independent auditor acceptable to the Bank, in accordance with the terms of reference previously agreed upon by the Bank. The auditing costs will be paid by MIF funds.

## VI. MONITORING AND EVALUATION

- 6.1 **Monitoring reports (semiannual).** Through the UEP, FUNDAPYME will prepare and submit program progress reports to the Bank within thirty (30) days following the end of each six-month period, and a final report within sixty (60) days after the final disbursement. With the first annual status report, the UEP will also provide the annual work plan for the second year. These reports will follow a format previously agreed upon with the Bank, and will cover activities carried out, their outcomes, and financial performance. The Bank will use these reports to monitor the progress of program execution and to prepare a program completion report in the three months following the last disbursement.
- 6.2 **Management reports (quarterly).** The UEP will prepare quarterly management reports for the program's Consultative Committee and the FUNDAPYME board of directors, in order to ensure close monitoring of the program's progress and budget performance. The management reports are to contain: a description of progress toward intermediate and final outcomes as set forth in the annual work plan, data on budget performance, administrative matters, monitoring of agreements, and principal achievements, problems, and resulting action taken, for the period covered by the report. The specific format of the report is to be agreed upon jointly by the UEP and the Consultative Committee. Ideally, the Committee will have the reports in hand some time before its meetings. The existence of the management report facilitates monitoring and inputs for the purpose of reporting to the Bank.
- 6.3 **Evaluation.** The program calls for two evaluations by a consultant specializing in business startups and development of entrepreneurial spirit. The consultant is to be selected and contracted directly by the Bank. The evaluations will examine fulfillment of the Operating Regulations and of the indicators set forth in the Logical Framework. They will be based on the following information sources: the baseline study and its updates (see component III), the quarterly and semiannual reports, and the UEP information system.
- 6.4 The first evaluation will be performed 24 months after the first disbursement, or once 50% of the funds have been disbursed, whichever occurs first. At a minimum, it will deal with the following: (i) changes in the indicators of the Logical Framework (see Annex I); (ii) the extent of progress in executing the training program and the business ideas competitions; (iii) an analysis of the financing needs of the entrepreneurs selected in the competitions, and the value of carrying out a Social Entrepreneurship Program in order to meet those needs; and (iv) the executing agency's institutional and management capacity, as well as that of the other institutions involved in the program. The report is to indicate corrective action needed to ensure proper execution and evaluation of the program.

**Table 2**  
**Performance indicators (at end of program)**

Young people made more aware	1,500
Young people trained and motivated for entrepreneurship	800
Internships at private companies	500
Business idea competitions held	3
Entrepreneurs supported in the business startup process	200
Percentage of satisfied customers	70%
New enterprises financed with matching grants	60
New dynamic <sup>16</sup> and sustainable <sup>17</sup> businesses	40
Municipalities to which transfer of the methodology has begun	2

- 6.5 The second (and final) evaluation will be performed 46 months after the first disbursement, or once 95% of the program funds have been disbursed, whichever occurs first, and will analyze: (i) the extent to which the program's specific objectives and purpose have been met (see Table 2); (ii) user satisfaction, as measured by a survey of beneficiaries; and (iii) the sustainability of the training program and of support and follow-up services for entrepreneurs, once MIF funding comes to an end.

## VII. JUSTIFICATION AND RISKS

### A. Justification

- 7.1 The proposed program takes a local, comprehensive approach to overcoming many of the obstacles to the creation of new businesses in the municipality of Soyapango. The innovative nature of the program consists of providing the young people of a municipality with a menu of services (including curricular and extra-curricular training, internships, mentoring, technical assistance, development of networks and simplification of regulatory frameworks) that will help them to solve the specific problems of each phase of the entrepreneurial process: (i) developing the motivation and skills for entrepreneurship; (ii) launching the business; and (iii) navigating the initial months of operation. The objective is to add value to other valuable national and regional experiments that the MIF has funded to support entrepreneurship, experiments that were focused on particular stages or critical aspects of the process of starting a business. It is hoped that the sum of the lessons

<sup>16</sup> Dynamic, here, refers to a business's ability to generate jobs beyond the family. A dynamic business is defined as one that has average billings per employee greater than or equal to the figure for the sector in which it is operating as a new business.

<sup>17</sup> Sustainability refers to businesses' ability to remain in the market over the medium term.

learned in these experiments<sup>18</sup> and the innovation that this program brings (its local, comprehensive approach) will contribute to better outcomes in terms of business startups, job creation and greater entrepreneurial spirit in the municipality of Soyapango.

## **B. Beneficiaries**

- 7.2 The program's direct beneficiaries will be 800 young men and women of the municipality of Soyapango who have completed either academic or technical secondary schooling and at least some study at the university level. The program will also benefit teachers, employees of nongovernmental organizations and municipal personnel.
- 7.3 The following minimum eligibility criteria will govern beneficiaries' access to each of the services provided under component I. To have access to university courses, beneficiaries must be students in the final years of study in marketing, public accounting, business administration or engineering. For non-university courses, which will accommodate 800 students, some study, or completion of studies, at the secondary level, either academic or technical, is required. Access to the entrepreneur training program will require at least three years of successful experience in the private sector in El Salvador, and evidence of interest in devoting time to the program. Lastly, the training courses for credit analysts will be available to employees of financial institutions with operations in Soyapango, who have an inclination for working with young entrepreneurs.
- 7.4 Participation in the competitions provided for in component II will require that at least one of the members of the team submitting the idea or business plan has participated in one of the training activities funded by the program. The support and follow-up services, as well as the matching grants, will benefit the competition winners. A detailed description of eligibility requirements can be found in the Operating Regulations.

## **C. Risks**

- 7.5 The three principal risks that could affect the program's results are: (i) lack of motivation among young people to participate in the program's activities; (ii) lack of creativity and/or ability to identify opportunities for new businesses with potential for growth; and (iii) lack of financing for new businesses. Several elements of the program design seek to address these potential problems. One of these, designed to address the first risk, is a campaign to communicate the benefits of a business career and the benefits of the program to young people. To deal with

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<sup>18</sup> See "El BID y la promoción de la Empresarialidad: Lecciones aprendidas y recomendaciones para nuevos programas" [[The IDB and the promotion of entrepreneurship: Lessons learned and recommendations for new programs], Work Report, Micro, Small, and Medium Enterprise Division, Inter-American Development Bank, March 2003, Washington, D.C.

the second, work will be carried out with established businesspeople in El Salvador, in order to create a list of possible business areas in which young people could start their businesses. Finally, two measures have been designed to deal with the financing problem. The first consists of matching grants of up to US\$3,000 for 60 business plans. The second consists of training a group of employees in local financial institutions, so that they can learn to analyze new entrepreneurial projects presented by young entrepreneurs. The support that these young people receive from the program will enable them to improve the quality of documentation in order to satisfy the loan requirements of financial institutions.

## **VIII. ENVIRONMENTAL AND SOCIAL CONSIDERATIONS**

- 8.1 This operation presents no specific environmental or social risks. Rather, it could have a beneficial effect on the environment and the enforcement of national environmental laws, as well as on social issues, health, and occupational safety, since the program will facilitate the starting of new businesses and the entry of existing Salvadoran businesses into the mainstream economy, in the process compelling them to comply with national environmental and social regulations. In addition, training for nascent enterprises will include environmental issues and occupational safety. As the program is being prepared, specific technical assistance activities to mitigate possible negative environmental or social impacts will be considered. Efforts also will be made to support business ideas that are workable—ones that are in line with the social and cultural conditions facing the young people of Soyapango.

## **IX. CONDITIONS PRECEDENT TO THE FIRST DISBURSEMENT**

- 9.1 As conditions precedent to the first disbursement, the following shall be presented, to the Bank's satisfaction: (i) the annual operating plan for the program's first year; (ii) proof that a Program Coordinator has been selected pursuant to Bank procedures; (iii) formation of the Consultative Committee; and (iv) approval of the Operating Regulations by FUNDAPYME. The first disbursement of funds for component I will be contingent upon presentation, to the Bank's satisfaction, of a signed cooperation agreement between FUNDAPYME and Don Bosco University. This agreement is to set forth, among other things, the work plan, funds and coordination mechanism to be used by Don Bosco University and FUNDAPYME in implementing component I.



**DEVELOPMENT OF ENTREPRENEURSHIP IN SOYAPANGO (TC-03-04-02-7)**  
**LOGICAL FRAMEWORK**

Objectives	Indicators	Means of verification	Assumptions
<b>Goal</b>			
<ul style="list-style-type: none"> <li>Promote the creation and development of new businesses with potential for growth, among young people in the municipality of Soyapango.</li> </ul>	<p>At the end of the four years:</p> <ul style="list-style-type: none"> <li>Greater number of young people participating as partners or employees in new businesses</li> </ul>	<ul style="list-style-type: none"> <li>Project inception and final reports</li> <li>Registries of new businesses</li> <li>Employment records</li> </ul>	
<b>Purpose</b>			
<ul style="list-style-type: none"> <li>Implement a system to motivate young people in Soyapango to start businesses, and support them in the process, which can later be transferred to other municipalities.</li> </ul>	<p>Upon conclusion of the project:</p> <ul style="list-style-type: none"> <li>800 young people trained and motivated for entrepreneurship</li> <li>200 entrepreneurs supported in the process of starting their businesses</li> <li>40 new businesses created with the program's support</li> <li>Articulated local institutional network, with the institutions strengthened and re-oriented to entrepreneurship</li> <li>2 municipalities have initiated the process of transferring the methodology</li> </ul>	<ul style="list-style-type: none"> <li>Reports and statistics on participants</li> <li>Quarterly management reports</li> <li>Project inception, midterm and completion reports, and comparison with baseline report.</li> <li>Surveys conducted in the municipality</li> <li>Newspapers, magazines, clippings</li> </ul>	<ul style="list-style-type: none"> <li>An improvement in individuals' abilities and skills increases the likelihood of their starting and developing new businesses</li> <li>With active and coordinated effort by local institutions, inclusion of target groups is achieved</li> <li>Young people have motivation to participate in program's activities</li> <li>Ability and creativity to identify new businesses is present</li> <li>Sources of financing to put new businesses in operation are present</li> </ul>

Objectives	Indicators	Means of verification	Assumptions
<b>Components</b>			
<b>1. Promote entrepreneurial abilities and skills</b>	<p>Upon completion of the project, the following have been achieved:</p> <ul style="list-style-type: none"> <li>teaching material and guides for promoting entrepreneurship—for university teachers and students</li> <li>adaptation of teaching material and guides for non-university teachers and students</li> <li>20 teachers trained</li> <li>1,500 young people not attending university are made more aware</li> <li>800 young people trained</li> <li>500 internships carried out by young people in private companies</li> <li>25 businesspeople / mentors trained</li> <li>25 credit analysts trained</li> </ul>	<ul style="list-style-type: none"> <li>Program's annual work plan</li> <li>Consultants' reports and contracts</li> <li>Results of evaluations of courses and workshops</li> <li>Reports provided by the university</li> <li>Quarterly management reports, semiannual monitoring reports, and midterm and final program evaluations</li> </ul>	<ul style="list-style-type: none"> <li>Effective teaching materials for developing entrepreneurial abilities and skills of young people in Soyapango</li> <li>Teachers, supported by teaching materials and training, will be able to implement this component successfully</li> <li>There is a predisposition on the part of the university to execute this component</li> <li>There is a predisposition on the part of private businesspeople to execute this component</li> <li>There is demand by credit institutions for training in entrepreneurial issues</li> </ul>
<b>2. Entrepreneurs selected and given support to gain access to the market</b>	<p>Upon completion of the project:</p> <ul style="list-style-type: none"> <li>3 business plan competitions held</li> <li>200 teams of entrepreneurs and business plans selected</li> <li>200 business plans supported with free technical assistance provided by the program</li> <li>60 new businesses financed with matching grants</li> <li>40 new businesses created with support from the program</li> </ul>	<ul style="list-style-type: none"> <li>Procedural and administrative guides for competition</li> <li>Program's annual work plan</li> <li>Monitoring reports and documentation of contracts and invoices for support and follow-up services to entrepreneurs</li> <li>Consultants' reports and contracts</li> <li>Quarterly management reports, semiannual</li> </ul>	<ul style="list-style-type: none"> <li>The competition offers adequate incentives and carries out an effective promotional campaign to generate interest among Soyapango's young people</li> <li>EUP provides effective support to young people from the competitions</li> <li>Surveys and business networking meetings among entrepreneurs and businesspeople are effective in</li> </ul>

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> <li>• 250 young people and 40 businesses participate in 2 business networking meetings in Soyapango</li> <li>• 50% of selected business plans capture business opportunities from local businesses</li> <li>• Program to simplify procedures at Soyapango City Hall under way</li> </ul>	<p>monitoring reports, midterm and final program evaluations</p> <ul style="list-style-type: none"> <li>• Survey of ASI and AMPES members to identify outsourcing opportunities</li> <li>• Reports, invoices and contracts for the business networking meetings</li> <li>• Progress reports on reduction of bureaucratic procedures in Soyapango</li> </ul>	<p>revealing business opportunities</p> <ul style="list-style-type: none"> <li>• There are consultants with the capacity to provide advice to providers of support and follow-up services for entrepreneurs</li> <li>• There is predisposition on the part of institutions to form the support network</li> <li>• There is a demand from entrepreneurs for the support and follow-up services</li> <li>• Support and follow-up services will have a positive impact on promoting entrepreneurship in Soyapango, as they have had in other countries</li> <li>• Simplification of procedures encourages creation of new businesses</li> </ul>
<p><b>3. Program disseminated and transfer begun</b></p>	<p>Upon completion of the project:</p> <ul style="list-style-type: none"> <li>• Communication and dissemination strategy approved by SC</li> <li>• Website designed and updated</li> <li>• At least 6 entrepreneurship events directed at young people have been covered by the media</li> <li>• There has been an increase of at least x% (to be defined in relation to the baseline) in the local media's dissemination of issues related to entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>• Program's annual work plan</li> <li>• Articles, and promotions on radio and television</li> <li>• Materials to promote the program</li> <li>• Quarterly management reports, semiannual monitoring reports, midterm and final program evaluations</li> <li>• Results of surveys measuring dissemination of entrepreneurial culture</li> </ul>	<ul style="list-style-type: none"> <li>• Promotional activity has positive impact</li> <li>• Surveys adequately measure attitude of those surveyed and are representative of target population</li> <li>• The media are an important vehicle for the transmission of information</li> <li>• Models and success stories have positive effect on target population</li> <li>• Prizes are an adequate incentive and are used as a</li> </ul>

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> <li>There has been an improvement of x% (to be defined in relation to the baseline) in societal attitudes toward new entrepreneurs in Soyapango</li> <li>Systematized methodology of the project obtained</li> <li>Transfer of methodology to 2 municipalities has begun</li> </ul>	<ul style="list-style-type: none"> <li>Initial baseline study and updated report</li> </ul>	<p>marketing tool</p> <ul style="list-style-type: none"> <li>The Soyapango experience and lessons learned are replicable in other municipalities</li> </ul>
<b>Activities</b>			
<p><b>1.1. Training program for university students</b></p> <p>1.1.1 Hire consultant to develop teaching materials</p> <p>1.1.2 Hire trainer to train teachers</p> <p>1.1.3 Offer 5 50-hour courses, each given 3 times</p> <p><b>1.2. Training program for young people who are not university students</b></p> <p>1.2.1 Hold 3 workshops to create an awareness among, and select, young people</p> <p>1.2.1 Hire consultant to adapt teacher materials developed in 1.1.1</p> <p>1.2.2 Train teachers with trainer from 1.1.2</p> <p>1.2.3 Offer 4 20-hour modules, each given 15 times</p> <p><b>1.3. Development and implementation of internship program</b></p> <p>1.3.1 Hire consultant to design internship program</p> <p>1.3.2 Hold 2 workshops to create awareness among, and select, businesspeople</p> <p>1.3.3 Hire junior consultant for program monitoring</p>	<ul style="list-style-type: none"> <li>See itemized budget</li> </ul>	<ul style="list-style-type: none"> <li>Program's annual work plan</li> <li>Approved FUNDAPYME budgets</li> <li>Consultants' reports and contracts</li> <li>Results of evaluations of courses and workshops</li> <li>Reports provided by the university</li> <li>Quarterly management reports, semiannual monitoring reports, midterm and final program evaluations</li> <li>Procedural and administrative guides for competition</li> </ul>	

Objectives	Indicators	Means of verification	Assumptions
<b>1.4. Train entrepreneurship facilitators</b> 1.4.1 Contract consulting services to train businesspeople/mentors 1.4.2 Contract consulting services to train employees of NGOs and financial institutions			
<b>2.1. Business ideas competitions</b> 2.1.1 Hire consultant to design competition 2.1.2 Promote competition in local media 2.1.3 Hold interviews to select candidates 2.1.4 Provide support for creation of business plans 2.1.5 Evaluate plans, and select the best  <b>2.2. Creation of contact and follow-up unit</b> 2.2.1 Hire consultant to design unit's procedures and human resources profiles 2.2.2 Select 5 contact people 2.2.3 Hire consultant to train contact people 2.2.4 Open the office 2.2.4.1 Select and lease office 2.2.4.2 Equip office  <b>2.3. Support for young entrepreneurs to implement business plans</b> 2.3.1 Provide services by which 5 contact people connect entrepreneurs with providers of inputs and of financial and non financial services. 2.3.2 Provide services to connect entrepreneurs with business opportunities 2.3.2.1 Contract consulting services to perform a survey of ASI and AMPES	<ul style="list-style-type: none"> <li>• See itemized budget</li> </ul>	<ul style="list-style-type: none"> <li>• Program's annual work plan</li> <li>• FUNDAPYME's financial statements</li> <li>• Approved FUNDAPYME budgets</li> <li>• Monitoring reports, documentation of contracts and invoices for support and follow-up services to entrepreneurs</li> <li>• Consultants' reports and contracts</li> <li>• Quarterly management reports, semiannual monitoring reports, midterm and final program evaluations</li> <li>• Survey of ASI and AMPES members to identify outsourcing opportunities</li> <li>• Progress reports on reduction of bureaucratic procedures in Soyapango</li> </ul>	

Objectives	Indicators	Means of verification	Assumptions
<p>members, to identify outsourcing opportunities with the support of the contact people</p> <p>2.3.2.2 Organize and hold “business networking” events</p> <p>2.3.4 Follow up commitments (field visits, calls, in-office service)</p> <p><b>2.4. Design of matching grants for business plans</b></p> <p>2.4.1 Evaluation of candidates</p> <p>2.4.2 Selection of candidates</p> <p>2.4.3 Financing</p> <p><b>2.5. Simplification of business registration procedures in Soyapango</b></p> <p>2.5.1 Hire consultant for the process of simplifying procedures, and to train municipal government personnel</p>			
<p><b>3.1. Entrepreneurship communication and dissemination strategy</b></p> <p>3.1.1 Hire consultant to design communications strategy</p> <p>3.1.2 Implement communications strategy</p> <p>3.1.2.1 Design/print materials/website to promote the program</p> <p>3.1.2.2 Hire consultant for implementation, media relations, etc.</p> <p>3.1.3 Hire consultant to prepare and disseminate the project’s lessons learned</p> <p>3.1.4 International travel to participate in entrepreneurship events</p>	<ul style="list-style-type: none"> <li>• See itemized budget</li> </ul>	<ul style="list-style-type: none"> <li>• Program’s annual work plan</li> <li>• Articles, promotions on radio and television</li> <li>• Materials to promote the program</li> <li>• Quarterly management reports, semiannual monitoring reports, midterm and final program evaluations</li> <li>• Results of surveys measuring dissemination of entrepreneurial culture</li> <li>• Initial baseline study and updated report</li> </ul>	

Objectives	Indicators	Means of verification	Assumptions
<b>3.2. Identification of 2 municipalities to which the entrepreneurship experience/dissemination can be transferred</b> 3.2.1 Visits to municipalities to interview stakeholders 3.2.2 Counterpart negotiation for transfer  <b>3.3. Hire consultant for baseline study on program indicators, and for update study</b>			

### Other MIF initiatives related to entrepreneurship in El Salvador

A. Similar or related MIF projects				
Name	Description/ Objectives	Approval date (Donors Committee)	(%) Disbursement through 16 Sept 2003	Reasons for current project status
ATN/MH-6720-RG	Regional SME entrepreneurship development with EMPRETEC methodology in its El Salvador component, FUNDEMAS, \$900,000	December 1999	54%	Activities have been planned for completion not later than the fourth quarter of 2004. The executing agency has yet to provide supporting documentation on the revolving fund; once this problem is overcome, there will be an increase in the percentage disbursed.
B. Similar or related Bank projects				
Name	Description/ Objectives	Approval date (Donors Committee)	(%)Disbursement through 16 Sept 2003	Reasons for current project status
1067/OC-ES	Local development program with objective of improving the capacity of local stakeholders to participate in local development processes, and of improving the living conditions and development opportunities of the poor population.	December 1997	99%	The project is progressing as planned and will conclude satisfactorily.
The Pais Joven program of the Department of the Family, which, with Bank support (ATN/SF-7190-ES), offers training in management techniques and entrepreneurship, aiming at integrating young people into the labor market.				



C. Projects related to the same sector or beneficiaries				
Name	Description/ Objectives	Approval date (Donors Committee)	(%)Disbursement through 16 Sept 2003	Reasons for current project status
ATN/ME-4708-ES	Program to support the productive development and competitiveness of small enterprises; Asociación Nacional de le Empresa Privada [National Association of Private Enterprise] (ANEP); US\$2.07 million.	February 1995	100%	Project concluded with satisfactory performance.
ATN/ME-6282-ES	New microenterprise producers of organic vegetables; rural microenterprises; Sociedad cooperativa de productores y exportadores de El Salvador de RL [Producers and Exporters Cooperative of El Salvador of RL (PROECSAL)]; cooperative league of the USA of El Salvador, US\$600,000 (capital) US\$1.3 million.	January 1999	100%	Project concluded with very satisfactory performance.
ATN/MH-7007-ES	Promotion of clean production processes for SMEs; ASI; US\$749,000.	June 2000	22%	The activities of the executing unit have been slow, due to problems of internal coordination between ASI and CNPML (Centro Nacional de Producción Más Limpia) [National Center for Cleaner Production]. This slowed down contracting of support consultants for the program. The Bank is currently evaluating the possibility of selecting a new, alternative executing agency, as ASI has requested to withdraw, since it does not have funds available from the local counterpart contribution.

Name	Description/ Objectives	Approval date (Donors Committee)	(%)Disbursement through 16 Sept 2003	Reasons for current project status
ATN/MH-7082-ES	Strengthening quality systems management and food safety for SMEs; Consejo Nacional de Ciencia y Tecnología [National Council of Science and Technology]; US\$735,000.	August 2000	13%	Since the hiring of the Coordinator (June 2002) and technical and administrative assistants, the executing unit has been functioning satisfactorily. However, there is a delay, due to the time that it took to hold the international competition for selecting a firm for implementation, and due to the lack of available cash from the counterpart. In October 2003, the government notified CONACYT of the approval of the budget. The execution period should perhaps be extended to complete implementation among the enterprises.
ATN/MT-6952-ES	Implementation of an institutional and policy framework to promote the formalization and operation of micro and small enterprises. CONAMYPE US\$850,000	April 2000	42%	The program is progressing satisfactorily. The system for monitoring policy and evaluating impact on SMEs is currently being rolled out, along with activities relating to administrative simplification and transfer of best practices. Once the supporting documentation has been processed, the disbursement percentage will be increased.

Name	Description/ Objectives	Approval date (Donors Committee)	(%)Disbursement through 16 Sept 2003	Reasons for current project status
ATN/MT-6986-ES	Incorporation of small businesses as providers of municipal goods and services, FISDL US\$1.3 million	May 2000	20%	The executing agency has a professional team working on this program. However, almost two years after the date of eligibility to receive disbursements, the executing agency has not hired the technical personnel provided for in the budget agreed with the Bank. The executing agency has requested the inclusion of new municipal services that could be outsourced under the program, and has presented a plan of action for that purpose, which also includes bringing FOCAT and FOCAM funds into play. The plan is being discussed with the Bank.
ATN/ME-6947-ES	ILine of activity of microfinance institution; Microenterprise; FUNDASALVA/PROFIM; US\$310,000	December 2001	42%	Project execution is satisfactory, though there are counterpart delays. Due to the greater intensity in execution, the level of assumptions is high.
ATN/ME-6984-ES	Fundación para la Educación Integral de El Salvador [El Salvador Foundation for Integral Education] (FEDISAL); US\$870,000	January 2001	30%	Progressing satisfactorily. The executing agency, FEDISAL-BONOMYPE, has execution capacity and is familiar with the training sector and with microentrepreneurs in the eastern part of the country. By October 2003, on the order of 2,000 bonds will have been executed monthly, and some 40 providers of training registered, half of which are in the eastern part of the country.
ATN. N.A	Institutional Strengthening of AMC savings and loan cooperative; 300,000	August 2003	0%	
ATN. N.A	Institutional strengthening of Integral SA de CV; less than US\$300,000	August 2003	0%	